

Message Text

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NSCE-00 INRE-00 USIE-00 AGR-05 CEA-01 CIAE-00 COME-00

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NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

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APPROVED BY EB/OT/GCP:SAHMAD

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ARA/BR:FZIMMERMAN (DRAFT)

TREASURY:JJOHNSON (SUBS)

COMMERCE: FABBUEHL (INFO)

AGRICULTURE:JBENSON (SUBS)

STR:BSTEINBOCK (PHONE)

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FM SECSTATE WASHDC

TO USMISSION GENEVA IMMEDIATE

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E.O. 11652: N/A

TAGS: GATT, ETRD, BR

SUBJECT: INSTRUCTIONS FOR FEB 17 GATT COUNCIL MEETING --
BRAZILIAN BALANCE OF PAYMENTS MEASURES

REFS: A) BRASILIA 10428 OF DEC 3, 1975, NOTAL;B) RIO DE
JANEIRO 608 NOTAL; C) GENEVA 1041 NOTAL

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GENEVA: COMCENTER PLEASE CALL BRUNGART OR SPRUCE AND INFORM OF ARRIVAL OF THIS CABLE.

1. AS REPORTED REF A AND B, BRAZIL HAS RECENTLY INSTITUTED MAJOR TRADE RESTRICTIVE MEASURES TO DEAL WITH ITS SEVERE BALANCE OF PAYMENTS PROBLEM. WE AGREE WITH MISSION GENEVA, PER REF C, THAT A DISCUSSION OF THESE MEASURES SHOULD BE INITIATED BETWEEN GOB AND AFFECTED TRADING PARTNERS. WE HAVE DEVELOPED A SCENARIO WHICH WE THINK WILL ENABLE US TO ACHIEVE THE DESIRED DISCUSSIONS WITH A MINIMUM DAMAGE TO OUR BILATERAL RELATIONS WITH BRAZIL. HOWEVER, MISSION SHOULD REFLECT UNDERSTANDING OF THE BRAZILIANS' SITUATION IN PURSUING THIS MATTER. IT WOULD BE PARTICULARLY UNTIMELY FOR BRAZILIANS TO MISREAD U.S. INTENTIONS AND ATTITUDE TOWARD BRAZIL AT TIME WHEN SECRETARY KISSINGER IS VISITING THEIR COUNTRY (FEB 19-22).

2. SPECIFIC USG OBJECTIVE WITH RESPECT TO THE HANDLING OF THIS ISSUE IS BRAZILIAN NOTIFICATION OF MEASURES REPORTED IN REF A AND B IN TIME FOR CONSULTATIONS ON THESE MEASURES THIS SPRING, PERFERABLY WITHIN THE APRIL

BALANCE OF PAYMENTS COMMITTEE SHCHEDULE; FAILING THIS CONSULTATIONS IN A WORKING PARTY WITH APPROPRIATE TERMS OF REFERENCE. WE BELIEVE SUBSTANTIVE DISCUSSION OF THE MEASURES SHOULD NOT BE HELD IN FEB 17 COUNCIL BUT AT THE FEB. 24-25 MEETING OF THE GATT CONSULTATIVE GROUP OF 18.

3. MISSION SHOULD CONTACT THE BRAZILIANS ON MONDAY AND ASK THEM IF THEY INTEND TO NOTIFY THEIR MEASURES TO THE GATT AND IF THEY ARE WILLING TO REQUEST THAT THEIR BOP CONSULTATION BE RESCHEDULED FOR THIS SPRING. IF THEY INDICATE AN INABILITY OR UNWILLINGNESS TO RESCHEDULE THEIR BOP CONSULTATIONS, U.S. REP SHOULD ASK IF THEY WOULD OBJECT TO A GATT WP TO EXAMINE THEIR MEASURES THIS SPRING. BASED ON THEIR RELATIVELY RESPONSIBLE BEHAVIOR WITH RESPECT TO THEIR GATT OBLIGATIONS IN THE PAST, WE THINK THERE IS A GOOD CHANCE THEY WILL BE COOPERATIVE. MISSION SHOULD ASSURE THEM THAT WE FULLY APPRECIATE THE SEVERITY OF THEIR BOP SITUATION, BUT THAT WE FEEL THAT THE LIMITED OFFICIAL USE

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MEASURES THEY HAVE TAKEN ARE SIGNIFICANT ENOUGH TO REQUIRE FAIRLY PROMPT CONSULTATIONS. U.S. REP MAY ALSO ADVISE THEM THAT WE DO NOT INTEND TO COMMENT ON ANY SUBSTANTIVE ASPECT OF THE MEASURES AT THE COUNCIL MEETING BUT THAT WE MAY WISH TO DISCUSS THEM AT THE GROUP OF 18 FEB 24-25.

4. IF THE BRAZILIANS AGREE TO THE ABOVE SCENARIO,

MISSION SHOULD ALERT THE GATT SECRETARIAT AND DISCUSS THE PRACTICAL PROBLEMS INVOLVED IN RESCHEDULING THE BOP CONSULTATIONS. FYI: WE UNDERSTAND THAT IT WAS AT THE REQUEST OF THE IMF THAT THE CONSULTATION WAS SCHEDULED FOR THE FALL SESSION INSTEAD OF THE SPRING. WE PLAN TO ASK IMF SECRETARIAT TO TAKE WHATEVER STEPS ARE NECESSARY TO ENABLE THE CONSULTATION TO BE HELD THIS SPRING. END FYI. IF THE GATT SECRETARIAT INDICATES PROBLEMS WITH RESCHEDULING, U.S. REP SHOULD ATTEMPT TO GET THEM TO AGREE TO SAY AT THE COUNCIL THAT THEY WILL LOOK INTO THE MATTER SO WE CAN HAVE TIME TO WORK ON THE IMF.

5. IF THE BRAZILIANS DO NOT AGREE TO ANNOUNCE THEIR INTENTION TO NOTIFY THEIR MEASURES MISSION SHOULD CONTACT OTHER AFFECTED CPS, E.G. THE EC, JAPAN, CANADA, AND TRY TO ENLIST ONE OF THEM TO TAKE THE LEAD IN REQUESTING NOTIFICATION AND EARLY CONSULTATIONS. U.S. REP SHOULD EXPLAIN THAT WE WOULD NORMALLY NOT OBJECT TO TAKING THE LEAD OURSELVES BUT THAT SECRETARY KISSINGER'S VISIT TO BRAZIL PLACES SOME CONSTRAINTS ON OUR ACTIONS VIS A VIS BRAZIL AT THIS TIME. IF NECESSARY, U.S. REP MAY INDICATE OUR WILLINGNESS TO SUPPORT SUCH A REQUEST BY ANOTHER CP

AT THE COUNCIL. FYI: WE UNDERSTAND THAT THE U.S. HAS DONE SUCH FAVORS FOR OTHER COUNTRIES UNDER SIMILAR CIRCUMSTANCES IN THE PAST SO THERE MAY BE PRECEDENT FOR SUCH A REQUEST. END FYI.

6. IF MISSION IS UNSUCCESSFUL IN APPROACHES TO BOTH BRAZIL AND OTHER DCS, U.S. REP SHOULD MAKE A VERY BRIEF STATEMENT AT THE GATT COUNCIL MEETING EXPRESSING U.S. SYMPATHY FOR SEVERITY OF BRAZILIAN BOP PROBLEM AND CALLING FOR NOTIFICATION OF BRAZILIAN MEASURES AND EARLY CON-

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SULTATIONS, IF POSSIBLE BY RESCHEDULING BRAZIL'S BOP CONSULTATION FOR THIS SPRING BUT IF NOT BY FORMING A WORKING GROUP FOR THIS SPECIFIC PURPOSE.

7. IF SOMEONE ELSE, EITHER BRAZIL OR ANOTHER DC, AGREES TO MAKE THE REQUESTS, U.S. REP SHOULD KEEP HIS PARTICIPATION ON THIS ISSUE TO A MINIMUM. INGERSOLL

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